



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
STATE DEPARTMENT OF SOCIAL SERVICES
REVOLVING LOAN FUND
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT F-610.2-662

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

610.2-662

FINANCIAL AUDIT REPORT
STATE DEPARTMENT OF SOCIAL SERVICES
REVOLVING LOAN FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

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November 21, 1980

610.2-662

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the State Department of Social Services Revolving Loan Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael C. Dendorfer, CPA; Ross Luna; Robyn Graves; Lisa Kenyon; and Osman Sanneh.

Respectfully submitted,

Floyd Mori
S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Revolving Loan Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The Revolving Loan Fund is used by the State Department of Social Services to loan money to needy and blind recipients to establish them into businesses, professions, and other gainful employment. The fund has a permanent revolving loan amount of \$150,000.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the Revolving Loan Fund as of June 30, 1979 and the related statement of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Revolving Loan Fund at June 30, 1979 and the results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Wesley E Voss

WESLEY E. VOSS

Date: September 1, 1980

Staff: Curt Davis, CPA
Michael C. Dendorfer, CPA
Ross Luna
Lisa A. Kenyon
Robyn Graves
Osman Sanneh

STATE DEPARTMENT OF SOCIAL SERVICES

REVOLVING LOAN FUND
BALANCE SHEET

JUNE 30, 1979

ASSETS

Cash	\$ 79,943
Receivables	74,584
Allowance for deferred receivables (Note 2)	<u>(24,069)</u>
Total Assets	<u>\$130,458</u>

FUND EQUITY

Fund balance (Note 3)	<u>\$130,458</u>
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The notes to the financial statements are an integral part of
this statement.

STATE DEPARTMENT OF SOCIAL SERVICES

REVOLVING LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Revenues:	
Interest	\$ 510
Appropriations (Note 4)	<u>80,000</u>
Total Revenues	<u>80,510</u>
Fund Balance - July 1	<u>49,948</u>
Fund Balance - June 30	<u>\$130,458</u>

The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF SOCIAL SERVICES
REVOLVING LOAN FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

Sources of Working Capital:

Operations:

Net income	\$ 510
Appropriations	<u>80,000</u>
Net Increase in Working Capital	<u>\$80,510</u>

Elements of Net Increase in Working Capital:

Cash	\$71,963
Receivables	<u>8,547</u>
Net Increase in Working Capital	<u>\$80,510</u>

The notes to the financial statements are an integral part of this statement.

STATE DEPARTMENT OF SOCIAL SERVICES
REVOLVING LOAN FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the Revolving Loan Fund reflect its financial position and the results of operations. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The Revolving Loan Fund is a nonexpendable trust fund created to establish qualified recipients into businesses, professions, and other gainful employment. The fund is maintained on an accrual basis of accounting. These are some of its significant elements.

Income

Throughout the fiscal year income including revenues, transfers, and reimbursements, except for certain reimbursements which are recorded when billed, are accounted for on a cash basis. At June 30, these accounts are adjusted to accrue earned but uncollected income.

2. ALLOWANCE FOR DEFERRED RECEIVABLES

This account represents the amount of receivables which may not be collected. The receivables comprise ten outstanding loans ranging in terms of 8 years to 15 years.

3. FUND BALANCE

This is the amount of money available for future loans to qualified recipients.

4. APPROPRIATION

Effective January 1, 1979, the Legislature appropriated an additional \$80,000 to the fund, thereby increasing the total appropriation to \$150,000.

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements present financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enables us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the State Department of Social Services in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The department generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
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Office of the Lieutenant Governor
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